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STATE OF MICHIGAN



JOHN ENGLER, Governor
DEPARTMENT OF TREASURY
MARK A. MURRAY, State Treasurer

STUDENT FINANCIAL AID

TO: Participating Schools and Lenders

FROM: Patricia W. Scott, Director

DATE: June 16, 2000

SUBJECT: Educational Loan Notes

NEW FFELP VARIABLE RATES

The Federal Family Education Loan Program (FFELP) variable rate Stafford and PLUS loan interest rates change annually each July 1. The rate for each is calculated from the final 91-day Treasury Bill (T-bill) rate at the last auction each May. That final auction rate at the end of May 2000 was 5.89 percent which results in the following new rates for loans disbursed on or after July 1, 2000.

New Stafford Loans

7.59% For new Stafford loans disbursed on or after July 1, 2000, during in-school, grace, or deferment periods only. The formula for new Stafford loans during these periods is the 91-day T-bill rate plus 1.7 percent.

8.19% For new Stafford loans disbursed on or after July 1, 2000, during repayment periods only. The formula for new Stafford loans during repayment is the 91-day T-bill rate plus 2.3 percent.

Existing Stafford Loans

MGA clients are reminded that existing variable rate Stafford loans will also convert to new rates on July 1, 2000, based on various formulas and cap rates calculated from the 91-day T-bill. New rates for all Stafford variable rate loans and their respective formulas and cap rates are published in the chart attached to this issue of *Loan Notes*.

New PLUS Loans

8.99% For new PLUS loans disbursed on or after July 1, 2000. The formula for new PLUS loans is the 91-day T-bill rate plus 3.1 percent.

(Continued on the next page.)



The mission of the Michigan Guaranty Agency is to provide Michigan residents with optimum access to postsecondary educational opportunities through low-interest, long-term educational loans.



Existing PLUS and SLS Loans

Existing PLUS loans disbursed from July 1, 1998 through June 30, 2000, are also based on the same formula. New interest rates for existing PLUS and SLS loans made at a variable rate prior to July 1, 1998, are calculated from various formulas based on the final **52-week T-bill rate** from the final auction at the end of May 2000. New interest rates for all PLUS and SLS variable rate loans, as well as their respective formulas and cap rates, are also published in the chart attached to this issue of *Loan Notes*.

All lenders and lender servicers participating with the Michigan Guaranty Agency (MGA) have been sent a letter detailing all new variable interest rates effective July 1, 2000. This mailing includes a more detailed chart, which includes not only the interest rate formula and cap rate, but also the special allowance index and billing code for all new and existing variable rate Stafford, PLUS, and SLS loans.

If you have any questions, please contact Bob Graham in the Lender Services Unit at ext. 30922.

NEW RETURN OF TITLE IV FUNDS POLICY

The new federal *Return of Title IV Funds* policy replaces the *Refunds and Repayment* regulations. Schools must implement the new policy by October 7, 2000. The provisions of the new policy do not require a school to have its own refund policy. Therefore, the *Return of Title IV Funds* calculation must be performed prior to a school using its own refund policy. The following information is provided to assist you with the *Return of Title IV Funds* policy.

ED "R2T4" Software Release

The U.S. Department of Education (ED) has made available the pre-release version of a new Return of Title IV Funds software. This software is designed as a module for EDExpress and can be downloaded from <http://www.sfadownload.ed.gov/>. A stand-alone version is expected for release at a later date. To assist you in using this new product, Central Processing System Customer Service is posting a **Q & A** for all users on ED's Web site at www.ifap.ed.gov. They expect to continue the Q & A for the next few months.

Rounding

When calculating *Return of Title IV Funds*, percentage calculations must be rounded to the third decimal place. Monetary amounts are rounded to the nearest penny. When a school returns Title IV funds, the school may round the return amount to the nearest dollar. If using the R2T4 software, rounding will automatically be done as part of the calculation.

Aid Included in Calculation

- Federal Pell Grant
 - Perkins Loan
 - FFELP/Federal Direct Loan Program (FDLP)
 - Federal portion of Supplemental Educational Opportunity Grant (SEOG)
- (Do not include Federal Work Study.)

Aid That Could Have Been Disbursed

In addition to the federal aid that was disbursed, aid that **could have been disbursed** must also be included in the *Return of Title IV Funds* calculation. In the event that a school has not awarded Title IV aid to a withdrawn student, the school may still have to perform the *Return of Title IV Funds* calculation if the student is classified as an eligible Title IV recipient. An eligible Title IV recipient is defined as a student that has submitted a valid Student Aid Report (SAR), or the school has received a valid Institutional Student Information Record (ISIR), and the SAR or ISIR has an official Expected Family Contribution (EFC) amount. In addition, the following criteria must be considered based on the type of aid to determine if the student qualifies as a Title IV recipient.

- **Federal Pell Grant** - Student is eligible.
- **Perkins Loan** - Student was awarded.
- **Federal SEOG** - Student was awarded.
- **FFELP Loan** - School certified an application.
- **FDLP Loan** - School created the electronic origination record.
- **FFELP/FDLP** - If a first-year, first-time undergraduate, student completed first 30 days.

(Continued on the next page.)

Post Withdrawal Disbursement

A student who withdraws before all earned Title IV aid is disbursed will be entitled to a post-withdrawal disbursement.

A post-withdrawal disbursement differs from a late disbursement in the following ways:

- The school must make a post-withdrawal disbursement.
- The post-withdrawal disbursement must be made from available Title IV grant funds before available Title IV loan funds.
- The 90-day period for delivery of the post-withdrawal disbursement is calculated from the date the school determines the student withdrew, not from the student's withdrawal date.

The school may credit the student's account for outstanding charges in accordance with cash management regulations. If the student does not owe outstanding charges to the school, the school must offer the post-withdrawal disbursement amount to the student within 30 days of the date the school determined that there was a post-withdrawal disbursement owed to the student. Notification must be made to the student in writing according to regular disbursement guidelines.

For those of you who attended MGA's Spring School Workshops, you will find more about the Return of Title IV Funds in your workshop guide under the "Final Regulations Wrap-Up" tab. If you would like a copy of the workshop guide, please contact the School Services Unit at ext. 36074.

ANNUAL MPN COUNSELING SERVICE

MGA, partnering with USA Group, is continuing its efforts to enhance online loan services by introducing NetWizard's new Annual MPN Counseling Service.

This service includes a brief summary of the financial aid process, student loans, and the rights and responsibilities for student loan borrowers. An overview of the Master Promissory Note (MPN) is provided, along with a request for updated reference information. In addition, a listing of the student's current FFELP loan balance is available displaying the lender, guarantor, and the loan amount(s) previously borrowed.

PLEASE NOTE: Schools using MGA exclusively will be able to offer their borrowers a complete history of their loan activity.

NetWizard™ schools have the option of offering customized questions and a quiz with their Annual MPN Counseling.

NetWizard administrators must complete the setup for their school to add Annual MPN Counseling as an option. Once the setup information is complete, the administrator can simply click the activate button and the service request will be submitted for activation.

Non-NetWizard users must complete and submit an Electronic Communication Agreement to acquire a sign-on code and password. The school then needs to complete the setup for each service for which they wish to participate. (All NetWizard service activation takes 48 hours to complete.)

A demo for this new feature is being developed. For more information about NetWizard enhancements, call USA Group Electronic Services at 800-348-4606, or visit their Web site at www.usagroup.com/netwizard.

If you have general questions on how NetWizard might enhance your school's operations, please contact Flora Boles at ext. 52882, or via e-mail at bolesf@state.mi.us.

GUARANTEE AND PRINT NOTIFICATION

MGA would like to remind lenders and lender servicers that loans guaranteed under the Guarantee and Print process **must be canceled** if borrowers fail to return their signed promissory notes. MGA is encouraging lenders and lender servicers to cancel loans when promissory notes are not received by the last day on which the loan may be disbursed.

Timely loan cancellations help ensure the accuracy of the data MGA reports to the National Student Loan Data System (NSLDS). Accurate NSLDS data will help prevent any canceled loan from counting against the borrower's loan limits for future borrowing.

(Continued on the next page.)

To cancel such loans, the lender must report each scheduled disbursement as unconsummated (meaning that each disbursement was never completed). Lenders may choose from the following reporting options.

- **Electronic** - Transmit the update via Commonline® or the Account Update for Lenders.
- **Mail or Fax** - Submit the update using the Disbursement Change Form (Form 1539) or Loan Maintenance Form (Form 1520). To order a supply of these forms, please contact MGA's Mailroom at ext. 34146, or e-mail your order to mga@state.mi.us.
- **Telephone** - Report the update by calling 800-824-7044.

If you have any questions regarding this matter, please contact Betty Calloway, Manager of the Lender Services Unit, ext. 39639, or via e-mail at callowayb@state.mi.us.

COMMON MANUAL DISKETTE

The 2000 electronic version of the *Common Manual* is scheduled for release this summer. The diskettes will be available only in the Windows 95/98⁺ and possibly Windows 3.1⁺ operating systems. The electronic *Common Manual* will be available on the Internet in late June. Check MGA's Web site www.MI-StudentAid.org in mid-July to download or view the new electronic *Common Manual*.

The National Council of Higher Education Loan Programs (NCHELP) will release the updated version of the InfoPak CD-ROM sometime in the fall.

Attached to this issue of *Loan Notes* is an order form for both the NCHELP CD-ROM and the *Common Manual* diskette. MGA will provide a complimentary copy of the CD-ROM and/or *Common Manual* diskette to interested clients. If you would like to receive a copy of the CD-ROM and/or the *Common Manual* diskette, please complete the attached form and fax or mail it to Linda Sienkiewicz by July 1, 2000.

MGA EMPLOYEE OF THE QUARTER

This month MGA proudly announces Jim Swisk as the most recent "Employee of the Quarter." Jim has worked for MGA for over six years now, coming to us from a local printing company.

Jim has had a variety of duties since coming to MGA, spending his first several years in the Lender Services Unit before moving to his present position as a school representative in the School Services Unit in 1996. This background has served him well at MGA, making him a "jim of all trades" when it comes to FFELP knowledge. Jim is known around the office for his receding hairline (he acknowledges it has retreated over the hill), marvelous sense of humor, and a willingness to take on any project, which makes him a valuable team player. From the feedback we get from schools, Jim's work in the field is also greatly appreciated.

Jim lives in Holt with his wife Sharon and his dog Rudy. Their only child, Laurie, made Jim a grandfather nearly two years ago with the birth of their granddaughter, Larissa. When not at work, Jim enjoys yard work with Sharon and Rudy, roller-blading, racquetball, and golf, each with varying degrees of frustration and humiliation.

Congratulations to Jim Swisk, MGA's employee of the quarter.

REVISED TELEPHONE DIRECTORIES

Attached to this issue of *Loan Notes* are two revised telephone directories, one by unit and one by subject.

ENTRANCE/EXIT POSTCARDS

Postcards with instructions for NetWizard's entrance and exit counseling are now available. Sample postcards are attached. To order a supply for your students, please contact MGA's Mailroom at ext. 34146, use the attached MGA "In-House" supplies order form, or e-mail your order to mga@state.mi.us.

REQUEST FOR APPLICATION AND RELATED MATERIALS

Attached to this issue of *Loan Notes* is a revised "Request for Application and Related Materials" form that reflects the changeover to the MPN. Please recycle any old forms you may have and begin using the new form immediately. If you would like to order the forms or have comments or suggestions about the new form, contact the MGA Mailroom at ext. 34146, fax (517) 335-6703, or via email at mga@state.mi.us.

Schools and lenders are reminded to review their inventory of applications to ensure that only Stafford MPN materials are being distributed. If you need to order new materials contact MGA's Mailroom.

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List," dated January 26, 2000. If you have any questions regarding these changes, please contact our School Services Unit, ext. 36074.

Institution Name Change

Davenport College has changed its name to **Davenport University-Western Region** for the following school codes: **002249-00, 002249-01, 002249-02, 002249-03, 002249-06, 002249-07.**

Detroit College of Business has changed its name to **Davenport University-Eastern Region**, for the following school codes: **002253-00, 002253-01, 002253-02.**

Great Lakes College has changed its name to **Davenport University-Central Region** for the following school codes: **006770-00, 006770-01, 006770-02, 006770-03, 006770-04, and ADMIN.**

Contact Person Change

Baker College-Auburn Hills (004673-05) Auburn Hills
Change Andrea Davis, Financial Aid Officer, to Greg Little, Financial Aid Officer.

Delta College (002251-00), University Center
Change Judy Whitney, Financial Aid Representative, to Carol Wotta, Financial Aid Representative.

Elsa Cooper Institute of Court Reporting (023429-00), Southfield
Change Marea Schobloher, Financial Aid Officer, to Frank Petruzzini, Financial Aid Officer.

Kellogg Community College (002276-00), Battle Creek
Change Donna Ward, Director of Financial Aid, to Patricia Stephenson, Director of Financial Aid.

Specs Howard School of Broadcast Arts, Inc., (022378-00), Southfield
Change Shelia Curtis, Financial Aid Officer, to Marea Schobloher, Financial Aid Officer.

LENDER LIST UPDATES

School personnel should record the following actions on the *Participating Lender List* dated January 27, 2000. Please make the appropriate changes in all sections of the list as needed. If you have any questions regarding these updates, please contact the Lender Services Unit, ext. 36076.

Joined Referral Program

Grand Rapids Teachers Credit Union (825214), Grand Rapids, has joined Comerica Bank's referral loan program, lender code 822660. Their new address is c/o UNIPAC, P.O. Box 64693, St. Paul, MN 55164-0696. Telephone: 888-486-4722.

Newly Participating Lender

College Loan Corporation/Bank One as Trustee (833733), San Diego, CA, c/o USA Group Loan Services, P.O. Box 6179, Indianapolis, IN 46206-4179. Telephone: 800-824-7045.

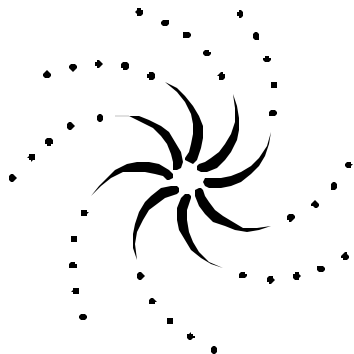
New Consolidation Lender

Mead Associated Federal Credit Union (819769), Escanaba
Contact: Customer Services at 906-786-2732.

Termination of Lenders

The following lenders are no longer originating student loans. Please delete them from your list.

Alliance Credit Union (825403)
Health Care Credit Union (825405)
St. Mary's Hospital Credit Union (825404)



THE “ED” PIPELINE

Following is a list of some of the most recent ED correspondence for lenders and schools.

Dear Partner
May 2000
ANN-00-12

This letter announces that a pre-release version of the Return of Title IV Funds software is available for use on the Internet. You may also register for lab sessions at Regional Training Facilities at some school sites.

Dear Partner
May 2000
CB-00-08

This letter provides information on requesting a waiver of the 2000-2001 Federal Work-Study community service expenditure requirements.

Dear Partner
May 2000
GEN-00-07

This letter provides information about an Addendum to National Director Student Loan (NDSL) and Federal Perkins Loan Program promissory notes to reflect the 1998 Amendments to the Higher Education Act.

May 22, 2000
Announcements

This announcement contains frequently asked questions regarding the pre-release version of the Return of Title IV Funds software.

“Q” AND “A”

Q: What is a Personal Identification Number (PIN)?

A: A PIN is a number that ED assigns to students to allow them access to various ED systems. It replaces the Electronic Access Code (EAC) starting with the 2000-2001 award year, although students

who have already received a six character EAC may continue using that code.

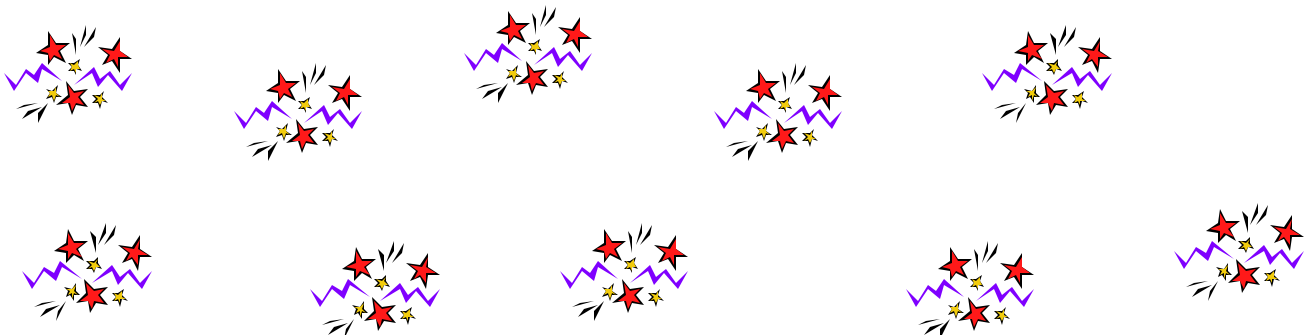
Q: What can a student do with a PIN?

A: A student's PIN may serve as an electronic signature when the student completes a *FAFSA on the Web*, *Renewal FAFSA on the Web*, *FAFSA Express*, or *Corrections on the Web*. Students can use this to view the status and results of any type of previously submitted FAFSA or access the NSLDS to view their financial aid history.

Q: How does a student receive a PIN?

A: Students who completed a *FAFSA on the Web* or *Renewal FAFSA on the Web* for the 1999-2000 award year should already have a PIN. ED mailed PINs to all students who completed a FAFSA electronically. Students that completed a paper FAFSA for the 1999-2000 award year can apply for a PIN on the “PIN Web Site” located at <http://www.pin.ed.gov/>. Students who submit any type of FAFSA for the 2000-2001 award year will receive a PIN if all four of the following criteria are met:

- The student's first and last name, Social Security Number, and date of birth must match the Social Security Administration records.
- The student must provide a complete mailing address.
- The student must have signed the FAFSA.
- The student must not have already received a PIN as part of the Renewal Application Process.



Calendar of Upcoming Events

June 2000

- 21-23 MBA Annual Convention
 Grand Hotel
 Mackinac Island
- 25-28 2000 MSFAA Summer Conference
 Treetops Sylvan Resort
 Gaylord, MI
- 30 Deadline – Audits for Lenders with FFELP loans
 totaling more than \$5 million –Fiscal Year Ending
 December 31, 1999.

July 2000

- 4 MGA Office Closed
- 16-19 Michigan League of Community Bankers Annual
 Convention
 Grand Hotel
 Mackinac Island

August 2000

- 14 Deadline for Lender's Timely Reporting to MGA
 National Student Loan Data System (NSLDS)
 Quarter Ending June 30, 2000

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at ext. 36944, or via e-mail at petersonj@state.mi.us.

LOAN NOTES

JUNE 2000

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FFELP LOAN VARIABLE INTEREST RATES

Effective July 1, 2000 thru June 30, 2001

STAFFORD	New and existing loans made on or after 7/1/98	Loans made 7/1/95 thru 6/30/98	Loans made 7/1/94 thru 6/30/95
Variable Interest Rate	7.59% (in-school) 8.19% (repayment)	8.25% (in-school) 8.25% (repayment)	8.25%
CAP Rate	8.25%	8.25%	8.25%
Formula	91-day T-bill +1.7% (in-school) 91-day T-bill + 2.3% (repayment)	91-day T-bill + 2.5% (in-school) 91-day T-bill + 3.1% (repayment)	91-day T-bill + 3.1%

STAFFORD	Variable rate loans made prior to 7/1/94	Windfall converted 7, 8, 9, and 8/10% fixed rate loans disbursed on or after 7/23/92	Windfall converted 8/10% fixed rate loans made prior to 7/23/92 (during repayment only)
Variable Interest Rate	8.99%	FVAR7 - 7.00% FVAR8 - 8.00% FVAR9 - 8.99% FVAR10 - 8.99%	9.14%
CAP Rate	9.0%	Original fixed rate	10%
Formula	91-day T-bill + 3.1%	91-day T-bill + 3.1%	91-day T-bill + 3.25%

PLUS/SLS	New and existing PLUS loans made on or after 7/1/98	PLUS loans made 7/1/94 thru 6/30/98	PLUS loans made 10/1/92 thru 6/30/94	SLS loans made 10/1/92 thru 6/30/94	Variable rate PLUS/SLS loans made prior to 10/1/92
Variable Interest Rate	8.99%	9.0%	9.48%	9.48%	9.63%
CAP Rate	9.0%	9.0%	10%	11%	12%
Formula	91-day T-bill + 3.1%	52-week T-bill + 3.1%	52-week T-bill + 3.1%	52-week T-bill + 3.1%	52-week T-bill + 3.25%